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## NOTES ON RAILWAY MANAGEMENT.

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FOR many years after Stephenson had demonstrated the practicability of operating a train of railway cars, public sentiment in England was adverse to the extension of the system, and a Mr. Berkeley, the "intelligent" member of Parliament for Cheltenham, strongly expressed the views of his class when, at a public meeting held in that town, he wished "that the concoctors of every such scheme were at rest in Paradise." Many of our leading railway managers in this country doubtless have at times, during the past twenty years, shared to a certain extent in this wish, and, when oppressed with the cares and anxieties of their offices, earnestly wished that they might find rest in a similar place. If the knowledge necessary to an economical construction of these important arteries of commerce was as unusual as has been shown, what wonder that no better comprehension of the subject of their management should have existed. Although the early projectors of our railways appear to have been prompted by every good intention, and to have manifested a disposition to administer their trust prudently and honestly, yet having no precedent to govern, or proper system of accounts, or arrangement of statistics to guide them, they were uncertain of results, and scarcely able to determine just where the construction account ended and the operation account began. It appears to have been a period of good-natured indifference to realities, with an accompanying condition of disorder, of which they seemed unconscious.

The annual reports made between 1835 and 1860 were a fair index of the condition of things during that period, and were exceedingly hopeful as to future prospects. No "earth-born cloud" seems to have arisen to dim their vision or disturb their faith. It was a period of great expectations, coupled with intense enthusiasm. In the efforts to show large net re-

sults from operation, there was a disposition to charge everything possible to capital account. This, of course, increased the amount of annual "fixed charges" to be met by net revenue, which were drafts upon future resources. After these fallacies became apparent, and default in interest began, the difficulty was intensified by the efforts of reorganization committees, who, instead of allowing the earlier mortgages to be foreclosed, and thus placing the properties upon a paying basis, attempted to keep alive the junior mortgages. This necessitated new issues, representing not only the principal of the latter, but their accumulated interest, thus increasing a burden already too great for the earning capacity of the line. In many instances the effect of overloading them with debt was to place them at last, in an impaired condition, in the hands of the first-mortgage holders, to the extinguishment of all other equities. Thus it will be seen that an inherent defect in the system was in the attempt to carry out these enterprises with borrowed money. A fully paid-up share capital, which should have been the basis of their transactions, seems to have been considered a matter of secondary importance; though there were some exceptions to this.

Our roads were for the most part constructed from the proceeds of mortgage bonds, most of which were negotiated in London and Amsterdam. It has often been a matter of surprise to people on this side of the water, that so much confidence was placed in securities of this character; it would seem that the price at which they were generally offered, and the exorbitant rate of interest they promised, must tend to discredit them; but their negotiation was stimulated by the payment to foreign bankers of large commissions, which prompted them to recommend in too high terms, perhaps, a class of securities that could not otherwise be readily disposed of. And then, too, it must be borne in mind that in 1861 foreign capitalists purchased the bonds of the United States Government at a much larger discount than most of the bonds in question were offered at, and that they afterward received full payment at par. Remembering this, and having even greater confidence in the resources of this country than its own people had, they were justified in the belief that these railroad bonds would be paid in full.

Many of the railways suffered from the mistakes and miscalculations of their engineers in estimating their original cost; but many of these mistakes were due to causes beyond the range

of human foresight. Statistics show that in scarcely a single instance between 1840 and 1870, and even in later years, was a sufficiently liberal estimate made to provide for the cost of a properly finished road-bed with necessary equipment. In justice to the engineers, it must be noted that, although the sole responsibility for the work was placed upon them, they were often hampered by suggestions and instructions from those who were not familiar with the work, and whose chief anxiety was to present as low an estimate of cost as possible, in order to encourage investments in the enterprise. As the work progressed, these fallacies became apparent; and when the last rail was laid, amid strains of music and firing of cannon, and the road was reported as complete, it was too often found, after the excursionists had returned to their homes, that more money was needed, and the "ground floor" offered no special advantage.

The nine months preceding the panic of 1873 had been very profitable to the railroad companies; their earnings and tonnage were largely in excess of any previous period in their history, and their expenses had not increased in a corresponding ratio. They had been sailing along on a sea of prosperity that they had come to regard as a permanence. No aggressive action had as yet been taken by the State authorities. Had the lines that were completed and in running order prior to this properly husbanded their resources, they would have found no difficulty in weathering the financial storm that was about to break upon them with such fury; but they had been "burning the candle at both ends," and instead of holding in reserve a portion of their easily acquired earnings, they had been spending money with a lavish hand.

The ease with which charters for railways had been obtained not only stimulated their construction (oftentimes at points where they were not needed), but prompted many irresponsible men to engage in these enterprises, who were ignorant of the practical management of railways, and had neither the ability nor the intention to operate them. The aid of towns and counties was invoked, under promises that could not be fulfilled, and securities were voted in return, the payment of which it was impossible for them to meet, and these were sold at any sacrifice to secure money. Such issues at best were a delusion, for even when they were given in good faith, so much was expected in return as to make their acceptance of doubtful propriety. These things

brought discredit upon the whole system, and aroused a spirit of antagonism that led to the Granger movement, the promoters of which suddenly seemed to regard the railways as the chief enemy of the producer. Their action took the form of fierce denunciation and unreasonable demand, in which politicians took a most earnest interest, and "thereout sucked they no small advantage." This movement was doubtless largely instrumental in precipitating the panic of 1873, the real cause of which, however, may be summed up in few words: the nineteen thousand miles of railway that had been constructed in the three years preceding was in advance of the country's development. The report of the committee of the House of Representatives on the Credit Mobilier transactions was made in the spring of this year; and probably nothing ever occurred in the history of railroad construction to shake the confidence of capitalists more than the revelations brought about by the investigation of the affairs of that company. Railway construction culminated that year, and more than seventy American railways defaulted in their interest, bringing ruin to thousands on both sides of the water. This of course put a check upon all new enterprises.

Following close upon the heels of this calamity came hostile legislation in many of the States. Boards of commissioners were appointed, who, through ignorance of their duties, acted in some instances with great unfairness toward the railways, disregarding not only the sacredness of vested rights, but the regulations of the common laws of trade. The tone of the press toward the railways at this time was for the most part extremely bitter, as well as the course of the politicians, who, in their attempt to ride into power, sent up with lusty voices the cry of "Monopoly!" Railway managers stood aghast, and for a while it seemed as though there was "none so poor to do them reverence." The courts were appealed to, and the decision of the United States Supreme Court, though only partial and evasive, upon the question, has probably for the time being put a quietus upon charter-contract litigation. Contemporaneously with the action of the several States, the General Government took up the consideration of interstate railway regulation. In 1873, Mr. McCrary, of Iowa, introduced a bill in the House of Representatives, which passed that body, but failed in the Senate. Senator Dorsey afterward introduced a bill embodying the views of Charles Francis Adams, which was referred, conjointly with the

McCrary bill, to the select committee on transportation. The plan of this bill was, to organize a commission, or bureau, in the Department of the Interior, whose duty it should be to collect statistics and information on every point connected with the management of the railways. It was also to investigate all complaints against inter-State railways. In 1878, Mr. Reagan's bill (now somewhat famous) was introduced and referred to the same committee. Various conferences were held from time to time between this committee and the representatives of the railways; and it must be admitted that the argument presented on behalf of the latter, by such men as Albert Fink and George R. Blanchard, was, as Captain Corcoran would say, "simply unanswerable." They endeavored to show (to quote from the first annual report of the Massachusetts Railway Commissioners, made in 1870) "the utter futility of any legislation which partakes rather of the nature of force than of an educated and reflected public opinion." No law embodying such an indefinite command as that which requires the railways to charge only a "reasonable" rate, can ever be made effective. The operations of the railways are governed by ever-varying circumstances, and no specific answer can be returned to the question as to what constitutes such a rate.

Between 1868 and 1872, what are commonly known as the "trunk lines" began to assume more formidable proportions. The Lake Shore passed under the control of the Vanderbilts, and the Hudson River and New York Central were consolidated. In 1869 the Pennsylvania Central leased the Pittsburg and Fort Wayne road, thus completing its line to Chicago. The Erie was as yet without a direct connection with Chicago, but was nevertheless in an independent position with reference to the trunk lines. The Grand Trunk did not secure its own connections with Chicago until 1879, though it had for a long time, by reason of its connections, occupied a prominent position. In 1874 the Baltimore and Ohio Railroad extended its system to Chicago, which of course aroused the jealousy of its rivals, as it had a shorter route to the sea-board. Its demand for a differential rate, early in 1876, was the signal for a railroad war that for bitterness of feeling has never been equaled. Rates to the east fell to a point very much below the cost of transportation. Grain was carried, during the season of navigation, by the Baltimore and Ohio road to Baltimore, both from St. Louis and from Chicago, at ten cents

per hundred pounds, thus compelling its competitors to carry at the same rate to New York, Boston, and Philadelphia; and even out of this an arbitrary deduction of a cent and a half per hundred pounds, for terminal charges, had to be made. Lake shipping, though offering the lowest rates known in the history of lake navigation, could not secure the tonnage. In that year the shipments of corn alone, by rail, were 17,217,520 bushels, exceeding in volume the aggregate of the preceding five years. To add to the complication, on the 4th of March in this year (1876) the jetties at the mouth of the Mississippi were opened, which gave a new impetus to exportations via New Orleans, and a large quantity of grain was shipped in barges from St. Louis to that point.

In June, 1877, Albert Fink was appointed commissioner for the four trunk lines, and for seven successive years he has been able to accomplish, in the way of amicable adjustment of difficulties of the most intricate character, that which few men probably could have succeeded in doing. The effort of these lines to secure a large through traffic at extremely low rates, to the partial neglect of local traffic at compensating rates, proved detrimental to their best interests, and probably did more to intensify public opinion against them than anything else that occurred. What is known as "through business" is undoubtedly moved at a lower percentage of operation expenses, these being reduced in proportion to the distance the freight is carried; but it is questionable whether the best interest of a railway lies in the direction of encouraging this class of traffic, which has been built up upon a false theory as to the cost of carrying freight per ton per mile. It is doubtful whether this one important item that enters so prominently into the economy of railway management has been, or ever can be, definitely determined. It varies materially upon different lines, according to their physical condition, character of gradients, cost of labor and supplies, geographical location, direction of traffic, and numerous other circumstances. A railway that can secure an equal amount of traffic in each direction, can of course show the best results.

Nor has the ratio of expenses to gross earnings, for freight and passenger business separately, ever been definitely determined; it cannot be, except by having a separate force of men for each department, and separate tracks for the accommodation of the trains of each class. The ratio of passenger expenses, however, is known to be very much greater than that of freight.

The railways for the most part have divided up their earnings too closely. If, for instance, eight per cent. be earned in any one year upon the share capital, over and above all fixed charges, prudence would dictate that the shareholders be paid six per cent. of this, and that the remaining two per cent. be held as a reserve fund, applicable either to the improvement of the property, or to the reduction of its debt. By this means the property would be maintained in a good condition, and every permanent shareholder would be benefited. The neglect to make proper provision for depreciation, after the construction account has been closed, has proved a serious defect in the American railway system. But the difficulty with which a board of directors of a dividend-paying road often has to contend is, in resisting the clamorous demand of the temporary shareholder for a distribution of the entire net revenue of the line for the year. Speculators that buy on the strength of a prosperous year's business, and have no interest in the property beyond the result of that year, naturally demand all that has been earned.

Another evil of our system is the practice of admitting members of stock exchanges into its directories. A stock-broker occupying such a position enjoys, of course, immense advantages over his brother broker, and usually he is not slow to avail himself of them. I presume I shall hardly be charged with uttering a slander if I assert that stock-brokers, as a class, do not make efficient railway managers; and yet it is no uncommon thing to find this class acting as directors, and controlling the policy of roads over which they have never traveled, and concerning which they are ignorant both of the resources of the country through which they pass, and the wants of their patrons. I will not say that all such men are unscrupulous and designing, but it is well known that many have sought the position of director for the express purpose of gaining an opportunity of speculating upon the fortunes or misfortunes of the company, and to accomplish their object they have obtained (sometimes by very questionable means) the proxies of confiding shareholders whose interest they are supposed to protect. It has frequently occurred that proxies given without proper consideration as to the manner of their use, have been used entirely contrary to the wishes of the shareholders granting them.



But for this abuse of confidence, the shareholders themselves, in the readiness with which they grant such favors, are largely responsible. Under no circumstances should a proxy be executed in favor of an officer or a director of a company that will enable him to vote upon it in approval of his own acts, or to perpetuate his own power. One of the great difficulties in the way of successful administration of corporate trusts in this country, lies in the fact that the boards of directors of many of our large companies reside from one thousand to three thousand miles distant from the active operations of the line they represent, and, though they may be governed by the highest motives, it is practically impossible for them to comprehend the wants of the line at such a distance.

Another difficulty is, that the shareholders are so scattered over the world that it is difficult for them to act in unison, even when measures of vital importance to their interest are presented; hence they are compelled to depend upon the judgment of others. The remedy for this, in a measure, is for every company to have a local board, resident upon or near the line of the road. This board should be composed in part of representatives of the foreign shareholders. They should be required to keep themselves well informed as to the plans of the company, the prospects for business, and all other matters of interest to the shareholders, who should be properly advised of these things at least once a month. By such a board, clothed with authority, and acting with intelligence, the interests of the shareholders would be infinitely better protected than they are under the present cumbersome system. All directors should be paid a salary, covering a certain percentage of, and dependent upon, the net earnings of the line. Directors occupy the position of trustees, and it is one of immense responsibility; their duty is to protect the interest of those who have confided that trust to them, and the shareholders have no right to expect that they will give their time and services gratuitously.

One evil that has been commented upon very freely, now happily bids fair to be removed from the railway system of this country, viz., the organizations known as "fast freight lines," having an existence, as well as an authority, independent of the railway whose tracks they occupy. Originally they were intended as a convenience to shippers; but, owing to the complication they engendered, they gradually developed into an evil,

and the evil is likely to correct itself. In some instances the spectacle was presented of several of these lines connected with one through route, competing not only with one another for freight, but actually bidding against the very railways that tolerated them upon their lines. The gradual abolishment of these fast freight lines is a step in the right direction.

The plan of adding unproductive lateral lines to an already established system, merely for the purpose of reducing the average cost per mile of road, is not likely to be continued. While it is true that by this method the average cost per mile, as represented by the funded debt, was reduced, it is equally true that the net result from the operation of the line, consequent upon the increased fixed charges to which it was subjected by the addition of unproductive mileage, was decreased. The ability to manage must be the limit of mileage, and the five-thousand-mile systems of railway, like the ten-story flats, are as yet only an experiment.

The establishment and maintenance of large and expensive manufacturing works by railway companies is, I believe, likely to be discontinued. Railway companies were not organized for the purpose of manufacturing, but for the special object of transporting merchandise and passengers. This is their particular business, and to this end the efforts of their managers should be specially directed. A manager charged with the care and responsibility of a railway cannot afford to have his attention diverted from his legitimate vocation; he has, in fact, little or no time to give to the supervision of a manufactory. In the early history of railways, before large and reliable establishments for manufacturing railway equipment and supplies existed, there was doubtless a necessity for each company to control its own manufactures in order to ensure thorough workmanship and proper materials; but with the facilities now offered throughout the United States by organizations incorporated for the express purpose of furnishing the railway companies with rolling-stock and other supplies, there seems to be no longer any necessity for the railways to maintain such extensive shops; smaller shops, with largely reduced forces, are all that would seem to be required for ordinary repairs. Before the war of the rebellion almost every sugar-planter in the South considered it necessary to maintain a mill on his plantation to grind his own cane. It would have been as reasonable to expect

that every farmer in the North should have his own grist-mill to turn his grain into flour. At present, in the South, under the new order of things, one sugar-mill accommodates several plantations. And so in regard to the railways; even one repair shop, conveniently located, might be made to answer the requirements of two or three lines; and in this way, by a kind of coöperative system, the cost of even running repairs could be reduced to a minimum. But as regards new work, there can be no question that it can be done now as effectually, with greater facility, and at less cost, outside of the average railway car-shops. I know this does not harmonize with the views entertained by the master mechanics and master car-builders; it is quite natural that it should not; but when the question of feasibility comes to be determined in the interest of the shareholders, I do not imagine that these gentlemen will be consulted. The practical effect of the railways employing some such outside agency would be to reduce materially their working force, and in this way diminish the labors and anxieties of their managers. Nearly one-fourth of the entire force of employés on our large railways are engaged in manufacturing and repairing, and in most cases they labor under great disadvantages, and are subjected to great inconveniences, both by reason of the disposition of their forces and the character of the tools and appliances.

Taking into consideration the average condition of the road-beds of our railways, too high a rate of speed has been attempted, both for passenger and freight trains. Somebody has said that if two trains were about to start for a certain place, one of them by a route known to be perfectly safe, but on slow time, and the other by a route necessitating the crossing of a trestle over one corner of the infernal regions, the average passenger would prefer the latter route. The engineers themselves, with their lives in their hands, often assume the most imprudent risks. Increased speed involves, of course, increased friction, and consequent wear and tear to both rolling-stock and track. Fast trains are undoubtedly a great convenience to the traveling public, who would hardly be content to have them discontinued; but they are expensive for the railroad companies, and the small additional charge in the rate of fare does not compensate for the extra cost of running them. The ordinary passenger does not understand these things, and probably does not care to, and as he glides along at the rate of fifty miles an

hour, he blandly inquires of the conductor, "When is your company going to reduce the fares?" Estimating fifty cents per mile as the cost per train mile, it costs in round numbers five hundred dollars for each trip between Chicago and New York. One train each way for the three lines would make 2190 trips, costing \$1,095,000 as the annual expense to the railways. It is extremely doubtful whether any corresponding net result is obtained. Passenger fares, at best, are too low. Through the introduction of various improvements, and the reduced cost of some materials, the expense of operating has been very materially reduced; but the reduction in rates for transportation has been in greater ratio than the reduction in expenses justified. The percentage of passenger expenses is greater than that of freight. These facts, I think, have not been appreciated by the traveling public. Economical measures for the time being are exhausted, and expenses have been reduced to a minimum. In 1850, when a passenger rode from New York to Chicago, sitting up two nights in an ordinary, not over-cleanly, and illy ventilated car, and arrived perhaps five hours late, he was tolerably well satisfied. Now, if after riding twenty-seven hours in an elegant coach, he should by any chance happen to have his trip extended two hours, he will expect a rebate in his fare.

Considering the wholesale denunciation that has been indulged in against the leading railway managers of this country (much of it undeserved), it is refreshing to contemplate the fact, that the number that have brought discredit upon the system is, in comparison with the whole number engaged, exceedingly limited. A few men possessing little or no knowledge of practical management, have obtained the control of some great railway system, and assumed a responsibility for which they were fitted neither by education nor by experience. When such men have retired at the end of a few years, with a wealth of several millions of dollars, it has naturally aroused suspicions of irregularity. It would be conferring no benefit upon the railway system of this country to attempt to shield the conduct of such men; it would have been far better if their actions had been more mercilessly exposed at the outset; but the railway system is not to be judged by any such standard as these few exceptions present, and my remarks are designed to have an exceedingly limited application, and are not intended to reflect in any manner upon the active managers of our railways, who, as a class,

are as thoroughly honest and conscientious a body of men as can be found in any branch of commercial life.

The great advantages possessed by the older lines are in their right of way, and terminal facilities, in and through the larger cities. The volume of business that a railway can command is often governed, not by capacity of rolling-stock, but by its ability to handle freight at important terminals. This fact is daily becoming more fully appreciated as the necessity for these facilities becomes apparent. The neglect of some of the larger lines to provide proper terminal and local accommodations at important railway points, has proved serious, and of course the difficulty will increase from year to year; the cost of supplying them will be greater, and the possibility of securing them will be more remote. For this reason alone it is not probable that any more trunk lines will be constructed between Chicago and New York.

The cost of terminal facilities to any new through line would approximate one-third of the entire cost of the line. The three most valuable, as well as most convenient, terminals in this country are those of the Pennsylvania Central in Philadelphia, the New York Central in New York, and the Illinois Central in Chicago. Imagine any of these lines making application at this late day for the right of way into the hearts of these great cities. With what success would they meet? The early managers of these lines were far-sighted, and secured what they regarded prospectively as necessary accommodations. Certainly some credit is due them for this sagacity, and they should be allowed to place upon these advantages a just present value. It is practically impossible for any new line constructed at this late day to compete successfully with lines enjoying such extraordinary advantages. Sooner or later all the railways, except the tunnel routes, entering the large cities, will be compelled to adopt the elevated system. The necessity for this will become more apparent as the population of these places increases; the longer the work is postponed, the more expensive it will prove, but the event is inevitable. And to none will the work prove more advantageous than to the railways, giving them advantages both as regards speed and safety, as well as economy of operation, that can be secured in no other way.

Most of the difficulties that have surrounded the railways in the past may be attributed either to causes inherent in the

system or to the irregularities of those that have secured temporary control of them. The embarrassments with which they will have to contend in the future, it appears to me, will be of a somewhat different nature, though to a certain extent growing out of past evils. Some of these may be stated as follows :

*First.* The burden of unproductive branches that they have acquired by lease, purchase, or construction, which do not earn enough to pay their fixed charges.

*Second.* Oppressive legislation. If any one doubts that there is danger from this source, let him examine the calendar of any of our State legislative bodies after they have been in session a few weeks, and note the number of bills that are hostile to the interests of railways. Each member appears to regard it as a solemn duty to his constituents to introduce at least one bill of this character during a session ; and the extent to which this warfare has been carried on does not argue well for the future.

*Third.* The hostility of the press, which, in its strife for popularity with producers, shippers, and politicians, evinces a disposition to magnify every little evil in the system, and ridicule every effort in the direction of reform, by which course it practically encourages the communistic tendencies of the age. In the discussion of the difficult problem of railway transportation, which has been carried on through the press during the past fifteen years, the railways have not been allowed a fair presentation of their case ; and even in courts of justice they have had to encounter much judicial prejudice engendered by the press in its uncandid statements of fact. The railway papers have striven faithfully to overcome the prejudices excited against the great interest they represent ; but the general public do not read these papers, and therefore their efforts, read only by the railway officials, are like sermons to the converted. A statement published in the last number of "Poor's Manual," does great injustice to the railway interest of this country. It says that "stocks and bonds to the amount of \$530,132,000 were listed at the New York Stock Exchange in 1883, . . . equivalent to about \$80,000 per mile of new road built during the year." And then it adds, by way of explanation, "A considerable amount, however, of the securities listed was on account of old works." After explaining how so large an amount came to be listed, and what a large portion it really represented, the "Manual" proceeds to say: "It is in this immense increase of

*fictitious* capital that is to be found the cause of the general distrust which prevails." The simple fact is, that the amount of bonds listed in any one year bears no relation whatever to the number of miles of road constructed during that year. An editorial was published in the Chicago "Evening Journal" a few weeks since, founded upon Mr. Poor's statement of the cost of the roads of this country, from which the following is an extract :

"If the roads had cost only what it would cost now to build them, only one-half as much net earnings would be required to pay interest and dividend charges, and their rates for passengers and freight might be reduced in proportion."

While it is true that many items that enter into the cost of construction of a railway are to-day lower in price than they were a few years since, nothing like the reduction implied has taken place. If the remark applies at all, it would only apply to such lines as were constructed between 1869 and 1873. Many of the older lines could not be duplicated for double the sum they cost, and these constitute a large portion of the mileage of the country. But in this statement the writer entirely ignores a most important fact, viz., that the railways for the most part are not able, and do not attempt, on the basis of the present tariff, to pay any dividend or interest on a very large portion of the nominal capital referred to by Mr. Poor, and could not if they wished. Transportation charges are not based upon cost or value of road, but upon cost of carrying, and are regulated by that inexorable law of trade known as competition.

*Fourth.* Increase of freight earnings, with a disproportionate increase in tonnage moved, showing that a larger amount of freight is being carried at lower rates. This is a noticeable feature in the annual reports of many of our large railways, published during the past three years, and indicates a general shrinkage in rates.

*Fifth.* The increase of operation expenses disproportionate to that of gross earnings, shows that the additional business is done without profit; or, in other words, it shows that the operating expenses have been brought down as low as possible. Forces have been reduced wherever it was practicable to do so; but until some reduction can be effected in the prices of labor (and this I believe to be inevitable, despite the promise of pro-

tection), no marked decrease in the percentage of operation expenses can be looked for.

*Sixth.* The clamorous and unreasonable demands of shippers, both as to rates and facilities, the extent of which can only be known to those that come more directly in contact with this class, whose claims are often presented with a degree of persistence and selfishness that places them beyond the pale of reason.

*Seventh.* The attitude of the railways toward one another, even in cases where their interests appear to be identical; as shown by the want of unanimity among their chief officials, and by insincerity in making, and faithlessness in keeping, agreements; in winking at the trickery of subordinates, in cutting rates, in over-loading cars, in under-billing weight, in paying rebates, and in making time contracts. "You have not kept your agreement to maintain rates, and have been getting more than your share of business," said one freight agent to another. "Oh, well," was the reply, "you keep the agreement, and I will keep the business."

*Eighth.* A foolish and unnecessary rivalry between the principal competing lines, resulting in a needless and continuous decrease in rates, and a consequent reduction in net income.

*Ninth.* Increased and indiscriminate issue of free passes. Even that class of passes known as "annuals," which were originally exchanged as a matter of courtesy, have proved an excessive annoyance to the officers issuing them, who would gladly discontinue an evil that they are powerless even to check.

*Tenth.* Popular prejudice against pools, concerning which there appears to be a great misapprehension in the public mind, though for protecting the interest of both shipper and railway alike, the plan seems to be the only feasible one. It does not, as many suppose, encourage extortion, nor does it countenance discrimination, but serves as a protection and as an equalizing power in the interest of both shipper and railway.

No one who has watched the course of events can have failed to observe that a marked disintegration in railway property has been going on during the past five years. Nor can it be doubted that, if the present condition of affairs is allowed to continue, a crisis is imminent. Many of the lines whose shares may now be classed as purely speculative, have already practically passed beyond the control of their managers. With others, the status of



their ownership is so vague and indefinite that they appear to be rapidly approaching that condition. Certain others, though not experiencing actual embarrassment, are warned by the signs of the times of the necessity of retrenchment. In contrast with these, the prudently managed lines that have husbanded their resources in the past, stand out in bold comparison, and view (but not without anxiety) approaching events. But the railway system of the country, divested of its fictions and fungous growths, and guarded by a higher standard of morality, will, I believe, again shine out with renewed splendor, and, under a new and more stable order of things, will pursue the even tenor of its way in working out the grand problem for which it was designed.

WILLIAM K. ACKERMAN.